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REPORT OF THE EXECUTIVE BOARD ON THE WORK OF ITS SPECIAL SESSION HELD AT UNITED NATIONS HEADQUARTERS ON 6 AND 7 OCTOBER 1993

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I. ORGANIZATION OF THE SESSION

1. The Executive Board of the United Nations Children's Fund (UNICEF) held a special session at United Nations Headquarters on 6 and 7 October 1993. The Chairman of the Executive Board was H.E. Miss Anna Semamba Makinda (United Republic of Tanzania) and the Chairman of the Committee on Administration and Finance was Miss María Francisca Arias (Colombia).

2. The agenda of the 1993 special session, as adopted, is contained in document E/ICEF/1993/16. The list of documents issued in connection with the session is contained in document E/ICEF/1993/INF/1. The list of participants is contained in document E/ICEF/1993/CRP.44. The Committee on Administration and Finance, sitting as a committee of the whole, met on 6 and 7 October (for the report of the Committee, see the annex to the present document). The Programme Committee did not meet.

II. PLENARY MEETINGS

3. At the request of the Chairman of the Executive Board, the meeting observed a moment of silence for the victims of India's devastating earthquake.

A. Elections

4. The Chairman recalled that at the summer organizational session held on 7 June 1993, it was decided to fill the remaining vacancies, by regional group, at the beginning of the present session. The following nominations were confirmed by the Executive Board:

Second Vice-Chairman of the Executive Board:

Mr. Raiko Raichev (Bulgaria)

United Nations Educational, Scientific and Cultural Organization (UNESCO)/UNICEF Joint Committee on Education for the 1993-1995 biennium:

Mr. Mazharul Haq Siddiqui (Pakistan) (member)
Mr. Cornelius Arnold Ferdinand Pigot (Suriname) (member)
Mr. Sworga Man Singh Shrestha (Nepal) (alternate)
Professor Liviu Maior (Romania) (alternate)
Mrs. Isabel Londono Polo (Colombia) (alternate)

UNICEF/World Health Organization (WHO) Joint Committee on Health Policy for the remainder of the 1992-1994 biennium:

Dr. Inga Grebesheva (Russian Federation) (alternate)
Mrs. Leyla Peek (Nicaragua) (alternate)

B. Statement by the Chairman of the Executive Board

5. On behalf of the Executive Board, the Chairman again expressed deepest condolences to the Government and people of India for the loss of human life and property as a result of the recent tragic earthquake. She was confident that the international community would, as it has on many other occasions in the past, provide the necessary assistance and support.

6. The Chairman recalled Executive Board decision 1993/22 (E/ICEF/1993/14) which requested the Executive Director, inter alia, to obtain from the United Nations Development Corporation (UNDC)/New York City and from the City of New Rochelle, firm offers for UNICEF headquarters office accommodation. Noting the comparative advantage held by the Board with two offers to consider, as reflected in the report of the 1993 regular session of the Executive Board, the Chairman stressed that "it is imperative that a final decision be taken this year".

C. Statement by the UNICEF Executive Director

7. The Executive Director joined the Chairman in expressing sympathy to the people of India and assured that UNICEF was already taking steps to help alleviate the suffering caused by the tragedy.

8. Speaking briefly about the roundtable held at United Nations Headquarters on 30 September 1993, on the occasion of the third anniversary of the World Summit for Children, the Executive Director reported that at the invitation of the Secretary-General, the heads of State or Government from seven nations and special envoys and foreign ministers from 16 other countries - all of whose heads of State and Government had signed the World Summit Declaration and Plan of Action - gathered to report on their country's follow-up to the Summit. The roundtable confirmed that much was being done and displayed, once again, the willingness of top leaders to commit themselves and their Governments to the achievement of concrete, measurable goals on a common timetable. He was encouraged by the Secretary-General's call for increased efforts to ensure that the Summit's goals were achieved and recalled the statement of the President of the United States of America, Bill Clinton, in his address on the opening day of the general debate in the General Assembly: "We are compelled to do better by the world's children".

9. Regarding the issue of headquarters office accommodation, the Executive Director assured the Board that in preparing the report (E/ICEF/1993/AB/L.15 and Add.1 and Corr.1) the secretariat tried to take fully into account and carry out all of the instructions of the Board as set out in its decision 1993/22. The views and observations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) were also taken into account and given full consideration. The Executive Director's recommendation (see E/ICEF/1993/AB/L.15, paragraph 59) that UNICEF retain, and eventually own, UNICEF House and also acquire a condominium interest in 633 Third Avenue, under the improved terms contained in the latest offer from New York City, thus enabling the organization to consolidate all New York headquarters in two locations near one another and the United Nations, was, in his view, "the most sensible and cost-effective option,

the option that will permit UNICEF to fulfil its mandate in the most efficient manner".

10. The Executive Director explained that unlike the recommendation presented at the 1993 regular session (E/ICEF/1993/AB/L.9), which had emphasized the non-financial benefits, the present proposal was not only preferable in non-financial terms, but was also the lowest cost-suitable alternative. The independent real estate consultancy firm engaged by UNICEF, in compliance with decision 1993/22, used conservative assumptions to calculate the savings offered by the United Nations district option as compared to the New Rochelle option. Compared to the previous offer from New York City/UNDC for the UNICEF House/633 Third Avenue twin location package, the new offer, which was being recommended at the present session, involved a savings (not including sublease income) of an estimated $100 million in nominal terms over the 32-year period 1995-2026. In terms of net present value, the improvement amounted to about $27 million. Compared to the cost of retaining all existing leases and renting new expansion space as needed, the savings offered by the current proposal amounted to about $170 million in nominal terms, or $30 million in net present value, over the same 32-year period. Moreover, and in addition to the aforementioned savings, given the higher value of New York City real estate, UNICEF House and the 633 Third Avenue condominium would have a combined residual value estimated at $200 million at the end of the 32-year period as compared to $122 million for the New Rochelle building.

11. The Executive Director drew the attention of Board members to the fact that the financial concessions obtained from New York City were so great that the real estate consultancy firm, which had previously recommended a relocation option outside of Manhattan on strictly financial grounds, had changed its recommendation and was strongly supporting the Executive Director's proposal (see E/ICEF/1993/AB/L.15, annex, paragraphs 73-75).

12. In highlighting the differences between the two main alternatives, the Executive Director emphasized that, above and beyond the real estate cost savings, the secretariat's proposal would only divide staff between two buildings that are in close proximity to one another and located in the United Nations/diplomatic district and would involve major savings compared to current costs, while the 633 Third Avenue location would allow UNICEF the greatest flexibility whether staff growth exceeded or was less than projected. As detailed in document E/ICEF/1993/AB/L.15 (paragraphs 42-57), the Executive Director was of the view that relocating UNICEF to New Rochelle would seriously weaken the internal cohesiveness and efficiency that UNICEF has achieved, as well as undermine the interaction with United Nations and diplomatic counterparts that was vital to the functioning of the organization, especially in this period of increased collaboration and reform of the United Nations system.

13. The Executive Director added that if the full proposal was not acceptable to the Board, he would like to move forward on the portion that covered UNICEF House, which would almost immediately reduce rental costs in New York City by at least $165,000 per month. This would allow UNICEF, in due course, to gain outright and unconditional ownership of the building. Under this option, the medium-term needs for additional space would be met through extending lease agreements at 333 East 38th Street and One Dag Hammarskjöld Plaza. In this way,

it was felt, key concerns expressed by the Advisory Committee would be addressed. In particular, it would permit the secretariat to resolve its longer-term space issues in the context of the results of the forthcoming UNICEF management review and a broader United Nations system study of the whole office accommodation situation in New York. Therefore, he urged the Executive Board to approve the proposal for headquarters accommodation in its entirety.

14. In closing, the Executive Director expressed the sincere appreciation of the UNICEF secretariat for the creative and innovative offer submitted by the City of New Rochelle and for the outpouring of support for UNICEF and the United Nations on the part of the New Rochelle community as a whole. Adding that numerous aspects of the New Rochelle option made it highly attractive, he emphasized that on balance, however, the strengths of the financial and non-financial aspects of the New York City/UNDC offer were overwhelming and merited Executive Board support.

D. Adoption of the decision

15. At the second plenary meeting of the Executive Board, the Chairman of the Committee on Administration and Finance introduced the draft decision on headquarters office accommodation that had been recommended by the Committee to the Board (E/ICEF/1993/CRP.45/Rev.1). She said the decision authorized the Executive Director to negotiate and execute an agreement to acquire UNICEF House and the floors at 633 Third Avenue, subject to certain conditions. The decision was adopted by the Executive Board (see chapter III).

16. One delegation said that during the debate in the Committee on Administration and Finance, it had made clear its position with regard to the Executive Director's proposals and to the issues raised in the ACABQ report. It was clear following that debate that a certain degree of flexibility would be required to achieve a consensual outcome. Therefore, the delegation was pleased that sufficient flexibility had been shown by all delegations to enable the Board to take an important decision on the future headquarters requirements of UNICEF. Although the delegation still had considerable doubts that the Board had taken the most cost-effective solution, it had joined the consensus. The enhancement of the New York City offer went some way to meeting some of the concerns identified by ACABQ. But the fact that at the last minute the Board was faced with taking a decision on 14 floors at 633 Third Avenue, rather than 13, did not inspire confidence in the rest of the figures that had been provided. The delegation hoped that they were indeed accurate. If they were not, the costs would have to be met from existing budgets, with obvious implications for programme delivery. The next step would be to look carefully at the staff projections, which the delegation continued to believe were too high. The report of ACABQ contained many useful ideas for cost-saving initiatives, which had been inadequately considered by the Board. The delegation greatly valued the advice of ACABQ and many of the Committee's preoccupations perhaps required a little more attention. Finally, the difficulties caused by the entire exercise underlined the need for urgent reform in the governance of United Nations funds and programmes.

17. Another speaker, supported by others, said that there had been intensive discussion on a very tricky issue. Many delegations, and one in particular, had

made concessions. That delegation should be commended for its flexibility as it had reversed its position completely. Its example should inspire the entire Executive Board at its 1994 session.

E. Concluding remarks

18. In a closing statement, the Chairman congratulated Board members for surmounting the complex issue of headquarters office accommodation. She thanked one delegation in particular for its cooperation and said the final decision would not have been possible without the frank and friendly atmosphere that had prevailed throughout the special session. Hopefully, the savings generated by the Board's decision would go to UNICEF programmes for children. The Board's achievement at the present session was a sign of hope for the future.

III. DECISION ADOPTED BY THE EXECUTIVE BOARD AT ITS 1993 SPECIAL SESSION

1993/26. Headquarters office accommodation

On the recommendation of the Committee on Administration and Finance,

The Executive Board,

Having considered at its special session, held on 6 and 7 October 1993, the report of the Executive Director on headquarters office accommodation (E/ICEF/1993/AB/L.15, Add.1 and Corr.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (E/ICEF/1993/AB/L.16),

Taking into account the views expressed by Member States,

1. Approves the Executive Director's recommendation to accept the terms of the offer of the New York City Economic Development Corporation/United Nations Development Corporation of 18 June 1993, as amended and clarified in their letters of 29 July, 4 August and 30 September 1993, and authorizes him to negotiate and execute a lease/purchase agreement in respect of UNICEF House;

2. Authorizes the Executive Director to continue to negotiate with the City of New York on the basis of their offer referred to in paragraph 1 above, concerning the expansion space required by UNICEF for the total of 262,351 square feet in 633 Third Avenue, and to proceed with the lease/purchase agreement on the condition that the City of New York undertake to sublease, on a permanent basis, at UNICEF's discretion:

(a) As of the year 1999, or earlier at the City's option, up to 160,000 square feet of that space, which UNICEF does not expect to require, on the condition that UNICEF notify the City by 1 November 1994;

(b) As of the year 2005, additional space up to 160,000 square feet maximum of that space referred to above, which UNICEF will not require at that time;

3. Decides to review by 15 October 1994 the projections for the future levels of UNICEF headquarters staff, based, inter alia, on a report on this issue and on an interim assessment of the management review of UNICEF;

4. Requests the Executive Director to secure, from the City of New York, guarantees concerning the space to be occupied by UNICEF at 633 Third Avenue, specifically:

(a) The exemption of that space from real estate and land tax;

(b) The entitlement of UNICEF to the free transfer of title to that space after UNICEF has acquired full ownership;

5. Further requests the Executive Director to review that part of the Greeting Card and related Operations currently located in Manhattan with the aim of ensuring its most efficient and cost-effective operation, including its location, and to report to the 1994 regular session.

Annex

REPORT OF THE COMMITTEE ON ADMINISTRATION AND FINANCE ON ITS MEETINGS HELD AT UNITED NATIONS HEADQUARTERS ON 6 AND 7 OCTOBER 1993

I. ORGANIZATION OF THE SESSION

1. On 6 and 7 October 1993, the Committee on Administration and Finance of the United Nations Children's Fund (UNICEF) held two meetings, with Miss María Francisca Arias (Colombia) as Chairman.

2. The Committee adopted the provisional agenda contained in the annex to document E/ICEF/1993/16.

II. HEADQUARTERS OFFICE ACCOMMODATION: REPORT OF THE EXECUTIVE DIRECTOR AND REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS ON HEADQUARTERS OFFICE ACCOMMODATION

3. The Committee considered the report of the Executive Director on headquarters office accommodation (E/ICEF/1993/AB/L.15 and Add.1 and Corr.1) and the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on headquarters office accommodation (E/ICEF/1993/AB/L.16).

4. In her opening statement, the Chairman summarized the various options outlined in the report of the Executive Director. She said that ACABQ had reviewed the report thoroughly and had raised a number of important questions. The UNICEF secretariat had held two informal consultations to brief delegations on the issue and to answer their questions. She proposed that the Committee hold a short question-and-answer session with the secretariat and then have informal consultations to try to reach a consensus.

5. The Chairman of the Executive Board advised the Committee that, on the instructions of the Bureau, she had contacted the Chairman of ACABQ to see if he would be willing to address the Committee and answer questions on the ACABQ report. He had informed her that, on the instructions of the Secretary-General, he was concentrating on the United Nations budget and could not devote any more time to the issue of UNICEF office accommodation. ACABQ had submitted its report on the subject to the Executive Board and it was now up to the Board to act on that report.

6. A majority of delegations said that the Executive Board had discussed the issue of headquarters office accommodation for three years and that, since there was sufficient information available, it was time for a decision to be taken. The Executive Director's opening statement had helped to clarify many remaining questions. Some speakers said that the opportunity costs of not taking a decision would be very high. These costs included the $165,000 per month that UNICEF could save by accepting the lease/purchase agreement for UNICEF House offered by the City of New York, as well as the human resources that would be required by both the secretariat and missions for continued examination of the

issue. In addition, any delay might result in UNICEF losing the property at 633 Third Avenue to another buyer. This consideration was particularly important because the building was one of the few suitable properties in the vicinity of United Nations Headquarters.

7. Many delegations endorsed the option proposed by the Executive Director to have UNICEF accept the lease/purchase agreement for UNICEF House and acquire a condominium interest in the building located at 633 Third Avenue. One group of delegations, while endorsing this option, said that any final decision must be based on full transparency and must be seen in the context of the needs of the rest of the United Nations system. Other Board members said that relocating to New Rochelle would pose great difficulties for missions from small countries, which had limited staff. One speaker said that while New Rochelle had made a very attractive offer, that was less important than the fact that many delegations did not want UNICEF to move there for any number of reasons. Another delegation added that the real estate consultancy firm had found that the offer from New York City was now on par with that of New Rochelle.

8. One delegation said that a substantive decision must be taken soon and that consensus would be possible by the end of the year. However, at the special session the Executive Board was not in a position to take a final decision as certain fundamental questions must be answered. Regarding the projected increase in headquarters staffing, ACABQ had said that a growth rate of less than 3 per cent would be appropriate, but the Executive Director continued to use that figure. A projected increase of 3 per cent would be incompatible with the decisions of the General Assembly on decentralization and the UNICEF policy to decentralize its operations to field offices. The projected increase would be counter to the mood of cost-consciousness now prevailing in the United Nations system. Thus, the figures must be revised in order to make a new assessment of the future office space needs of UNICEF.

9. As for the presentation of the financial data in the report of the Executive Director, the same delegation said that the report claimed that the difference in costs between the offers of New Rochelle and New York City had been reduced, although this claim had not been substantiated. There was an unexplained difference in the nominal and present value terms, while the residual value estimate was not appropriate as it was purely speculative and bore no relation to actual cash flow. The base rent and operating expenses in New Rochelle were significantly lower than those of any of the New York City options. These discrepancies made it clear that any clear analysis of the figures was almost impossible.

10. For those reasons, that delegation proposed that the Board recommend to ACABQ that it draw up the terms of reference for another independent consultant to analyse the existing figures. The consultant could address the issue of how the nominal and present value analyses resulted in different rankings of the options. The consultant's work could be limited to an analysis of the present figures and be completed quickly. The delegation was in favour of the most cost-effective solution, which would be to locate UNICEF headquarters in New Rochelle and maintain a small liaison office in New York City. As not all the questions raised by ACABQ could be answered immediately, the Board should focus on those areas where there was available information: the question of staff projections and space requirements; the issue of land and real estate

taxes; the foreclosure at 633 Third Avenue; the non-financial factors; and the possibility of further improvements of the two offers.

11. Another delegation also requested a short delay to allow its Government to make its final decision. The Deputy Executive Director, Operations, advised the Committee that because of the heavy workload of the General Assembly and the limits placed on conference services imposed by the Secretary-General, it would not be possible for the Executive Board to meet again until the week of 20 December 1993.

12. Many speakers agreed that ACABQ had raised a number of important questions in its report, including the issue of projected staff increases at headquarters, which a number of delegations found to be high. Some speakers said that ACABQ was an advisory body that had given its opinion and that it was up to the Executive Board to make a decision based on that opinion. Several speakers cited the message from the Chairman of ACABQ to that effect, relayed by the Chairman of the Executive Board that morning. One delegation said that ACABQ had already reviewed the issue of UNICEF headquarters accommodation twice, with inconclusive results, and that there was no point in asking it to do so again. Another delegation stressed that ACABQ was not only an advisory body and the issues raised in its report must be taken seriously. However, the secretariat had provided satisfactory responses to most of them. Yet another Board member emphasized the need to respect the process through which the UNICEF secretariat should respond to the questions raised by ACABQ. Many speakers said that the statement made by the Deputy Executive Director, Operations, at a recent informal briefing, the text of which had been distributed to delegations, had answered many of the questions raised by ACABQ.

13. One delegation said that in addition to the questions about the projected growth of headquarters staff, there were other important issues to be considered. Regarding staff growth, it was important not to project past growth trends into the future. The General Assembly, in its recent decisions on operational activities for development, had stressed the importance of decentralizing activities to the field. In addition, some developing countries could "graduate" from that category in the next 10 years, resulting in a corresponding downsizing of staff. Other important factors included the review of the UNICEF administrative and management structure and other General Assembly decisions on reform of the United Nations and the opening of United Nations interim offices in some countries. It was regrettable that the United Nations Secretariat had not taken a more active approach to the issue of office space in New York, but this also must be taken into account. By accepting the Executive Director's second option, which would involve executing the lease/purchase agreement for UNICEF House and renting additional space, UNICEF would be able to identify all of these trends by the end of the decade and wait for a coordinated United Nations solution.

14. The representative of the host country said that at the time of the 1993 regular session, his Government had supported remaining in New York City on policy grounds, although there were financial differences between the two offers. Over the summer it had reviewed its position and now reaffirmed its support for the Executive Director's position, which was in the best interest of UNICEF and the United Nations system. Relocating to New Rochelle was not in line with the Secretary-General's emphasis on a more streamlined, cohesive

Organization; would have a negative impact on the operational effectiveness of UNICEF; and would impose a hardship on small missions. In addition, there was insufficient financial gain in the New Rochelle proposal since, when considering relocation, most corporations looked for a gain of 30 per cent. The Executive Board should encourage UNICEF to act like a well-managed corporation.

15. Another delegation said that at the 1993 regular Executive Board session, its preference had been for UNICEF to acquire a single headquarters location to accommodate all its staff in New York City. However, based on all the information now available, it would be preferable to accept the Executive Director's proposal for acquiring the condominium interest at 633 Third Avenue in addition to UNICEF House. This decision must be based on the understanding that the financial information was complete. There should be guarantees from New York City that it would accommodate any future downsizing of headquarters staff and that any increase in the price of the floors at 633 Third Avenue would be absorbed by the City.

16. Some speakers suggested that the Executive Board at least decide on the major provisions of the Executive Director's suggestion and include in its decision stipulations concerning the issues of tax exemption, foreclosure at 633 Third Avenue and projections for growth of headquarters staff. One delegation requested the secretariat to clarify the recent communication from New Rochelle which indicated that its offer might be improved by some $65 million, as well as information on how UNICEF would sublease the space it would acquire at 633 Third Avenue. The same speaker also requested the secretariat's assurance that the figures contained in the addendum and corrigendum to the Executive Director's report were completely up to date.

17. The Deputy Executive Director, Operations, replied that it was specified in the offer of New York City that there would be no real estate or land tax involved if UNICEF were to acquire ownership of UNICEF House through the lease/purchase agreement and the condominium interest at 633 Third Avenue. Real estate tax would only apply if UNICEF were to continue renting space. This was a question that would have to be addressed by the United Nations Office of Legal Affairs in connection with all United Nations rental transactions in New York City. She added that the price for the space at 633 Third Avenue, agreed upon in the offer of New York City, would be the price paid by UNICEF; any increase would be picked up by the City.

18. Regarding the staff projections, the Deputy Executive Director, Operations, said that in 1990, UNICEF had engaged a consultant to assist in its long-term planning, based on the assumption that growth at headquarters would be much less than in the field. The consultant had arrived at a projected growth figure of 3 per cent for the period 1991-2010. However, the Executive Director's report covered the 32-year period 1995-2026, resulting in a proposed growth rate of 1.5 per cent per year. At the same time, the secretariat had done everything possible to economize space at UNICEF House. It had accommodated an additional 25 staff members and would be reducing the number of staff at headquarters in the upcoming biennium.

19. The Executive Director's proposal to acquire UNICEF House and the condominium interest at 633 Third Avenue had enough flexibility to accommodate further downsizing of staff and/or a lower growth rate because New York City had

agreed to sublet up to 75,000 square feet, she said. The New Rochelle option would entail UNICEF acquiring a much larger property than it required at present, therefore running a greater risk in terms of subleasing unneeded space. As for the foreclosure proceeding at 633 Third Avenue, and the implications for UNICEF, the United Nations Office of Legal Affairs would review all agreements before they were entered into by UNICEF.

20. The Deputy Executive Director, Operations, added that the communication from New Rochelle regarding the additional $65 million in savings had just been received. It indicated that some $12 million might be gained over the 32-year period through a reduction in ground rent, at a rate of $350,000 per year. However, the Mayor could not make that commitment until it had been approved by the City Council. The letter indicated that UNICEF could save some $53 million on rent in New York City because ACABQ had said that a split headquarters option, with most staff in New Rochelle and only a few in New York City, would require UNICEF to rent only 12,000 square feet there. This was not the case, however, as the secretariat had calculated that, at the very minimum, 40,000 square feet of rental space would be required.

21. One speaker said that only one delegation seemed to have problems in accepting the Executive Director's recommendation. That delegation should try to show flexibility in respect to the will of the majority.

22. The Chairman said that the discussions had been very positive. The majority of delegations were in favour of taking a decision at the special session and there was a quasi-consensus on UNICEF remaining in New York City in line with the Executive Director's first preference. However, some very important questions had been raised and the secretariat still had to provide answers to them. The Executive Board had to provide guidance to the secretariat on the terms and limits of the contracts to be signed. It must be clear on the question of staff growth. During informal discussions, these projections could be reviewed. The issue of the foreclosure proceedings at 633 Third Avenue must be resolved. She suggested that the Committee devote most of the next two days to informal consultations and asked the secretariat to prepare a draft decision that could be the basis for those discussions.

23. One delegation reiterated that the Executive Board was not yet in a position to take a final decision. His delegation would not be in a position to participate actively in informal consultations as his instructions would not allow him to do so. He would send the text to his capital for instructions.

24. At its second meeting the following day, the Committee recommended to the Executive Board adoption of the text that had been agreed upon during informal consultations (E/ICEF/1993/CRP.45/Rev.1). (See chapter III, decision 1993/26, for the recommendation of the Committee as adopted by the Executive Board.)